Stock Market Selloff: 2 Value Stocks I’m Buying

Description

Last week, we saw a major stock market selloff, as the COVID Omicron variant burst onto the world stage and sent investors running for the exits. Omicron, a new variant of COVID-19, is thought to be 500% more contagious than the original variant. Countries are already banning travel to South Africa, while the E.U. is dealing with a huge spike in cases. So far, there haven’t been that many cases recorded worldwide, but the new variant is highly contagious and — some think — vaccine resistant.

Obviously, a newer, deadlier version of COVID-19 would have a major impact on the global economy. As we saw in March 2020, COVID health measures put people out of work and led to losses for companies like airlines, hotels, and retailers. When the first wave of COVID struck in March 2020, stocks sold off. If Omicron leads to nation-wide lockdowns and mass unemployment again, then we could see the same thing happen once more.

If it happens, I’d just take it as a buying opportunity. During the March 2020 stock market crash, I doubled down on stocks, going big on bank stocks, rail stocks, and ETFs. If another such crash happened this year, I’d do the same. However, my picks would be a little bit different. In this article, I’ll explore two stocks I’d buy if last week’s stock market selloff were to continue this week.

Micron Technology

Micron Technology (NASDAQ:MU) is a U.S. semiconductor stock I just started buying recently. It is a classic “value tech stock,” with a legendary combination of growth, value, and profitability. In its most recent quarter, MU grew its sales by 37%, and its earnings grew by a whopping 175%. It certainly looks like a growth stock, yet it trades at value multiples, with ratios like 16 times earnings and 3.4 times sales. So, MU is a classic “growth-at-a-reasonable-price” (GARP) play.

MU is not without its risks. The computer memory industry is known for booms and busts, with RAM prices fluctuating wildly. These fluctuations can sometimes cause Micron's revenue to disappoint. Additionally, there's the matter of China. Micron swung a miss in 2020 because the U.S. government blocked it from selling to **Huawei**. However, MU later made up the difference by selling to other clients.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one stock I bought on the dip in March 2020 and would buy again in the event of another correction. The stock fell precipitously in the 2020 crash thanks to an increase in perceived risk factors. I bought it right at the market bottom on March 23, and managed to lock in a 6% dividend yield. Since then, TD has appreciated considerably, but it still has a ways to go.

In 2022, central banks will be raising interest rates. I'm not sure if the U.S. Fed will do it, but it looks pretty certain that the Bank of Canada will. Banks like TD are among the few businesses that can make more money in higher rate environments, because rate hikes increase their profit margins on loans. So, TD is one stock I'll continue holding going forward.

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